Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Implementation of the Local Competition	)	CC Docket No. 96-98
Provisions of the Telecommunications	)	
Act of 1996	)	
	)	

Declaration of Vincent Griffin, MCG Credit Corporation
In Support of CompTel's Petition for Reconsideration

1. My name is Vincent P. Griffin. I am Managing Director, Telecommunications, for MCG Credit Corporation ("MCG"). MCG is a private specialty finance company, with a specialization in telecommunications. As Managing Director, Telecommunications at MCG, I review the business plans and requests for financing of many competitive local exchange carriers ("CLECs") seeking expansion capital. MCG's investment philosophy is that we believe superior returns are best achieved by investing in superior companies striving to provide differentiated services to meet unsatisfied demand. We believe the communications needs of the residential and small business markets are underserved.

2. Our investment strategy has led us to invest in several CLECs seeking to provide competitive communications services to consumers in the residential and small- to medium-sized business, among other, markets. Most of these carriers rely, in some part, on providing service by leasing

all of the unbundled network elements of the incumbent local exchange carrier ("ILEC"). This method of providing facilities-based competitive service is sometimes referred to as the unbundled network element "platform" ("UNE-P").

3. Since the release of the FCC's first Local Competition Order, which specifically authorized competitors to provide service using UNE-P, MCG has developed a further specialization in the operational issues and opportunities of CLECs who are employing this strategy in whole or in part to serve certain customer segments. MCG presently has investment relationships with several UNE-P CLECs.

4. MCG typically invests in private and small- to mid-capitalization public companies. MCG's capital is used by its CLEC customers to further accelerate marketing, customer service platforms, market expansion, product development and investment in support systems.

5. In order to qualify for investment by MCG, we review the CLEC's financial performance and business plan, and develop an assessment of how efficiently the company has implemented its business plan, as well as whether the assumptions/projections in the initial business plan were accurate. Once we determine that a carrier has been able to successfully implement the first phase of its plan, and that its business model provides for fairly reliable projections of attainable future performance, we will provide financing if we believe the company is likely to continue to meet its targets.

6. The purpose of my declaration is to provide evidentiary support for the Petition for Reconsideration filed by the Competitive Telecommunications Association ("CompTel"), of which MCG Credit, along with many of our CLEC clients, is a member. I will explain why MCG believes that it is critical for those carriers seeking to serve the mass market to have access to the ILEC's unbundled local switching in order to serve all DS0 customers throughout the ILEC's service territory. Without such ubiquitous, and unrestricted, access to ILEC unbundled switching combined with voice grade analog loops, it is my belief that carriers seeking to serve the lower ends of the mass market will be impaired in their ability to achieve the level of financial returns sufficient to justify capital investment.

7. Carriers who are serving the DS1 and above markets will often serve some "mass market-small business" customers with more sophisticated telecommunications needs through their own switches. However, it is important to consider that these instances of switch-based service to these customers, who would otherwise be considered within the small business portion of the mass market, are only possible because the facilities were originally purchased to serve the DS1 and above markets, *and* the customer either had digital translation equipment, or the customer's bandwidth needs justified the placement of such customer premise equipment.

8. Currently, MCG is financing several “mass market-focused” CLECs who are providing service in the voice grade analog line market mainly through UNEP. In each instance, the CLEC has committed substantial resources to provide adequate “back office” systems, customer service, billing and operational support.

9. Moreover, each of these carriers has a business plan and internal financial performance targets that are predicated on their ability to capture business, and/or residential, customers. If these carriers are unable to reach their performance targets due to limitations on the availability of UNE-P, absent a substantial new investment in switching equipment in order to serve business customers, MCG may be forced to re-evaluate whether the UNE-P model for serving the mass market is likely to continue to justify further investment.

10. Thus, pockets of unavailability of UNE-P due to line or zone restrictions are difficult business plan impediments. If a UNE-P based CLEC is not able to profitably address the entire voice grade analog line market, it is my belief that this CLEC will have difficulty meeting its financial performance requirements. Additionally, the CLEC’s ability to deliver competitive and innovative products to a broader market will be hampered. Consequently, its continued access to capital from investors such as MCG Credit may be impaired. This concludes my declaration.

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Vincent P. Griffin
Managing Director, Telecommunications
MCG Credit Corporation

Dated: ________________